



The Real Estate TRENDS

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

Number 35

REAL ESTATE ACTIVITY

For the first time in the last 13 months real estate activity showed an increase. The figure for June, 41.1, is slightly above the final May reading of 41.0. Isolated reports from real estate men in various parts of the country indicate a marked improvement in real estate activity for the month of July. It must be remembered that these reports are spotty and uncorrected for seasonal fluctuations, while our index considers the nationwide picture and corrects for seasonal variations. There is rarely a time when real estate activity is not good somewhere in the country. Therefore, while the reports persist that July was a whopping big month for real estate transfers, we are reserving judgment until all reports on July transfers are received and tabulated. Our guess is that the July figure will not show nearly so great an increase as our more optimistic correspondents indicate.

REAL ESTATE MORTGAGES

In our January bulletin we indicated that we did not expect an increase in mortgage activity in 1947 over 1946. The completed figures on the first half of this year reveal that mortgage activity is running well behind the pace set the first half of 1946. We think that new construction loans and financing of existing properties during the balance of the year will not increase sufficiently to bring mortgage activity much above its present level.

FORECLOSURES

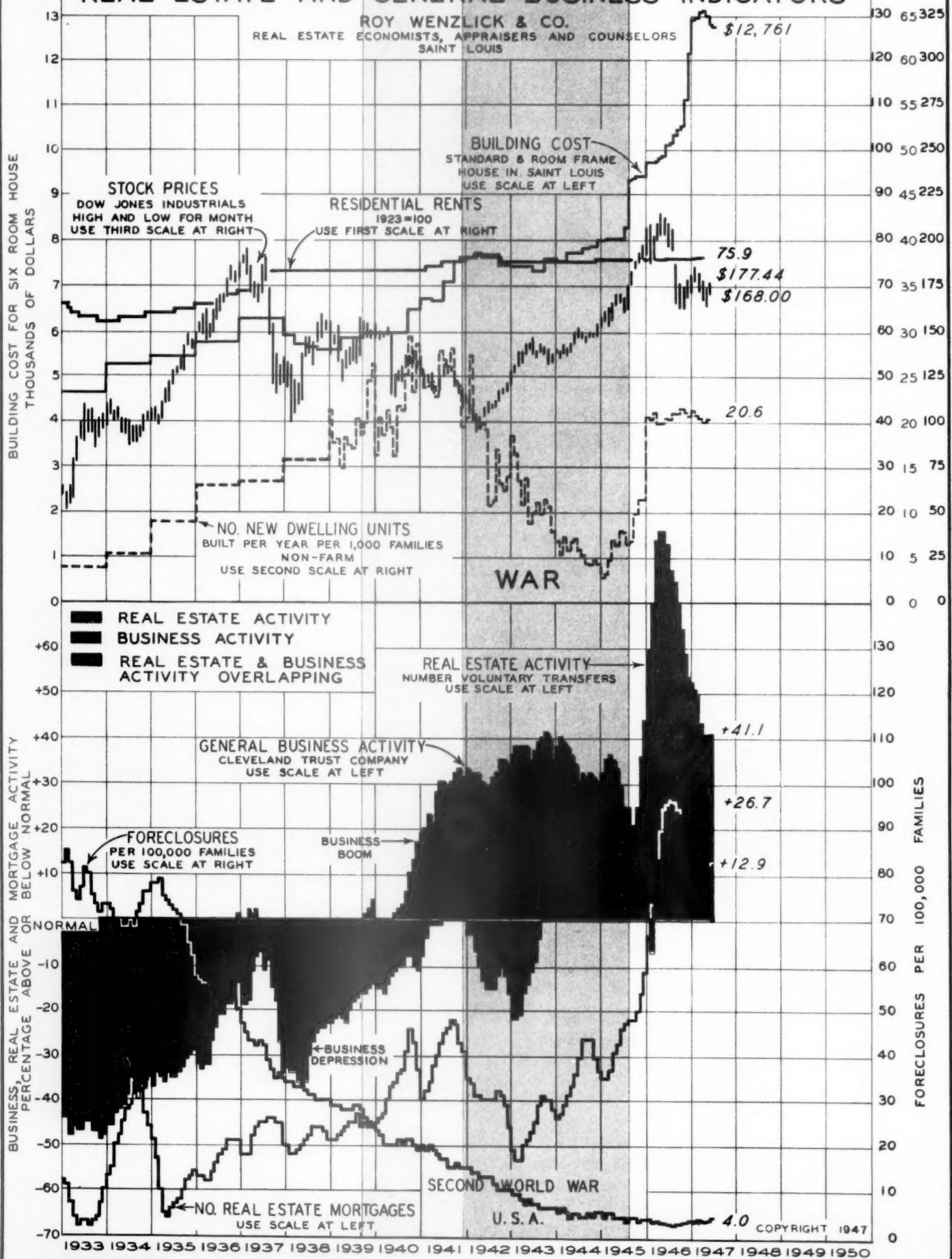
Foreclosures will probably not show a dangerous increase during the balance of the year. The rate for June rose from 3.5 to 4.0 per 100,000 families. While this represents a slight increase, the most significant characteristic of the present rate is its low level. The large amount of unwilling ownership and over-optimistic financing of homes will probably cause a foreclosure rate approaching or surpassing the record of 84.6 per 100,000 families reached in February 1933. Although we feel that this new high is still a long way off, we urge continued attention to this index.

RESIDENTIAL BUILDING

It is becoming rather difficult to get up-to-date information on new construction. The preliminary figures for June show a total of 359,000 permanent nonfarm dwelling units started during the first half of 1947 against 340,000 starts for the first half of 1946. This is an increase of about 5-1/2 per cent. While all of these figures add up to a boom year in construction, indications are that the total number of starts will fall far short of the 1,000,000 goal set by the Administration. The 15 per cent rent increase will bring about some contraction in the

REAL ESTATE AND GENERAL BUSINESS INDICATORS

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SAINT LOUIS



BUILDING COSTS OF A STANDARD SIX ROOM FRAME HOUSE BUILT IN ST. LOUIS

Costs are grouped into four classifications of material, four of labor and three of overhead. A further breakdown of these groups is given in detail below. Columns of the table are numbered, and a brief description of the items included in each is given in the paragraphs below. Paragraphs are numbered to correspond with the columns described. Building material costs are indicated by the letter **M**; corresponding labor items, in red by the letter **L**. No labor items are shown in Column 10, **Building Hardware**, as they have already been included in Column 3, **Millwork**.

Group A

(1) Masonry: Cement, sand, gravel, quick lime, hydrated lime, hard wall plaster, face and common brick, fire brick, flue lining.
(2) Tile Work: 4-1/4 x 4-1/4 wall tile, ceramic floor tile, cap and base.

Group B

(3) Unfinished Lumber: Columns, beams, floor and ceiling joists, interior and exterior studs, rafters, bracing, etc.
(4) Finished Lumber: Sub-flooring, sheathing, beveled siding, finished floors, asphalt shingle roofing, roofing felt, tar paper, shutters, etc.
(5) Millwork: Windows, doors, trim, kitchen cabinet, stairs.

Group C

(6) Heating: Boiler, insulating jackets, fittings, tools, pipes, connections, valves and

radiation.

(7) Plumbing: Soil pipes and connections, stack, water pipe and connections, lead cask and bathroom fixtures; hot water heater and tank to be furnished by others.

Group D

(8) Sheet Metal: Galv. iron (present) gutters, downspouts, flashing.

(9) Electrical Work: Main switch, BX cable, switch boxes, receptacles, transformer, etc. No fixtures included.

(10) Nails and Hardware: Common and wire nails, bolts, damper, ash doors, finish hardware.

(11) Painting: White lead, linseed oil, turpentine.

(12) Miscellaneous: Metal and wood laths, corner bead, insulation.

Total Material and Labor Costs

Group E

(13) Overhead and profit of subcontractors in plastering, metal work, heating, plumbing, electrical work and tile work.

(14) General contractor's profit.

(15) Missouri sales tax (now 2% on materials), old age and unemployment tax (Federal and State), liability and employees' compensation insurance, fire and tornado insurance, completion bond.

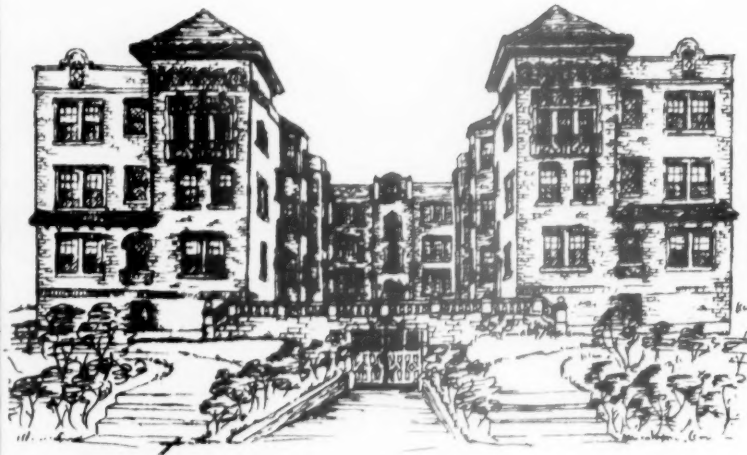
(16) Total overhead, profit and other costs.

TOTAL CONSTRUCTION COST

Year	GROUP A			GROUP B			GROUP C			GROUP D			GROUP E			TOTAL														
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	Total	(13)	(14)		(15)	(16)												
1913	\$343	\$388	\$24	\$13	\$212	\$101	\$428	\$134	\$350	\$121	\$153	\$136	\$231	\$110	\$65	\$12	\$36	\$48	\$59	\$16	\$4	\$51	\$18	\$1973	\$1146	\$248	\$337	\$132	\$717	\$3836
1914	362	388	24	13	212	101	415	134	349	121	147	136	248	110	59	12	32	49	59	16	64	50	18	1973	1146	248	337	132	717	3836
1915	366	388	24	13	189	108	373	145	320	131	152	144	249	116	68	12	38	52	64	17	69	48	19	1911	1197	257	337	135	720	3837
1916	366	396	24	13	224	108	438	145	363	131	203	144	309	116	101	12	55	52	66	22	69	59	19	2250	1205	295	375	142	812	4267
1917	456	413	25	14	258	109	500	146	396	132	244	152	359	122	108	12	59	54	110	26	69	69	19	2610	1242	325	418	152	895	4747
1918	539	421	25	15	292	118	570	158	449	143	322	152	359	124	95	14	52	54	118	30	75	73	21	2924	1295	346	457	163	966	5185
1919	624	453	25	15	519	128	1008	170	729	154	290	160	349	130	83	15	45	57	113	31	81	112	23	3928	1386	342	566	187	1095	6409
1920	742	463	26	17	607	183	1186	243	1030	220	306	184	372	150	83	21	46	66	143	36	116	132	32	4713	1695	366	677	227	1270	7678
1921	674	501	25	18	479	168	920	250	506	225	273	192	460	156	64	22	35	69	94	30	119	104	33	3664	1773	372	581	215	1166	6605
1922	609	506	25	18	362	174	703	232	571	209	258	204	433	166	64	20	35	73	79	28	111	81	31	3246	1744	370	536	206	1111	6103
1923	633	576	25	21	410	200	793	268	551	242	267	227	430	184	70	23	38	81	94	28	128	90	36	3429	1898	407	582	228	1217	6632
1924	618	703	251	108	401	246	779	328	492	296	274	277	388	224	64	26	35	100	97	35	156	87	44	3521	2510	527	656	274	1457	7488
1925	606	684	251	108	375	251	732	335	472	302	273	255	381	207	68	29	37	92	80	37	159	83	45	3404	2467	506	638	267	1413	7284
1926	566	653	251	108	379	240	732	320	432	288	264	244	381	197	69	27	37	87	86	36	152	83	43	3316	2359	499	617	254	1370	7045
1927	565	621	251	108	354	228	715	304	358	275	251	184	395	159	67	26	37	66	84	33	145	80	41	3190	2157	469	582	237	1286	6635
1928	563	541	208	97	406	184	644	244	377	220	261	184	382	151	71	21	39	66	85	31	116	74	32	3141	1856	438	544	213	1195	6192
1929	568	541	186	97	360	184	687	244	384	220	270	184	385	151	82	21	45	66	89	33	116	71	32	3158	1856	438	545	213	1196	6208
1930	474	422	186	97	340	135	655	181	312	164	261	140	341	114	71	15	39	50	72	33	87	211	24	2994	1429	380	479	175	1034	5447
1931	411	342	156	57	313	108	594	145	254	131	236	112	322	91	58	12	32	40	61	31	70	198	39	2685	1147	317	412	148	875	4677
1932	438	342	139	51	368	108	532	145	269	131	310	112	266	91	50	12	28	40	60	28	70	199	39	2507	1141	295	395	142	832	4480
1933	467	342	130	51	355	108	582	145	344	131	308	112	270	91	52	12	28	40	54	26	70	214	39	2700	1141	291	413	146	850	4691
1934	540	342	122	51	439	108	713	145	494	131	334	112	279	91	55	12	30	40	63	26	70	232	39	3217	1141	299	466	154	919	5277
1935	508	422	111	67	399	135	638	181	523	164	236	140	292	114	43	15	24	50	62	26	87	229	47	3091	1422	300	481	174	955	5466
1936	506	490	111	67	364	159	685	209	494	188	265	160	301	131	50	19	28	57	59	27	98	221	53	3071	1631	344	505	239	1088	5790
1937	503	512	111	67	395	186	742	245	578	221	247	160	326	141	54	22	29	57	64	31	104	226	53	3306	1766	363	544	301	1217	6291
1938	508	425	103	67	350	157	647	204	571	179	241	160	297	134	47	19	26	57	66	28	88	222	42	3106	1532	333	494	306	1133	5771
1939	513	525	103	77	360	159	690	211	513	190	239	160	277	133	49	19	27	57	64	29	109	192	56	3026	1696	344	505	323	1172	5894
Ja 1940	510	538	103	77	374	158	679	215	587	195	236	160	282	131	58	17	32	57	65	30	93	193	61	3129	1702	352	516	327	1195	6028
Ap 1940	510	538	103	77	371	158	651	215	566	195	236	160	285	131	63	17	35	57	65	30	93	193	61	3108	1702	352	516	327	1195	6005
Ja 1940	510	538	103	77	371	158	651	215	566	195	236	160	285	131	63	17	35	57	65	30	93	193	61	3108	1702	352	516	327	1195	6005
O 1940	510	542	145	86	494	182	763	218	638	197	254	160	294	161	63	17	31	57	66	32	93	203	75	3482	1768	365	584	351	1300	6551
Ja 1941	515	640	145	86	493	182	808	243	645	219	242	160	266	161	62	19	28	58	67	33	104	203	78	3507	1956	380	585	375	1340	6797
Ap 1941	487	639	159	86	463	182	771	243	633	219	261	180	274	149	62	19	28	63	69	33	131	202	79	3432	1990	396	581	376	1353	6775
Ja 1941	510	650	159	86	553	220	802	279	635	252	250	180	274	149	90	19	27	63	72	34	131	220	79	3626	2108	396	613	397	1406	7140
O 1941	514	678	159	86	544	226	861	303	689	274	262	200	289	187	106	29	34	72	80	35	145	227	79	3800	2270	433	650	424	1507	7586
Ja 1942	514	696	175	86	536	231	854	305	689	275	262	200	314	187	64	29	48	72	79	35	145	229	81	3799	2307	431	653	427	1511	7617
Ap 1942	520	696	175	86	547	231	876	305	715	275	273	200	317	187	64	29	50	72	79	38	145	229	81	3883	2307	433	663	429	1525	7717
Ja 1942	520	696	175	86	540	233	874	307	715	276	273	200	317	198	72	29	50	86	79	38	145	229	75	3882	2331	435	668	427	1530	7743
O 1942	520	668	162	86	558	207	884	274	715	248	273	180	317	149	56	29	50	65	79	38	130	229	75	3881	2111	419	639	403	1461	7453
Ja 1943	520	668	151	86	561	207	884	274	715	248	273	180	317	149	56	29	50	65	79	38	130	229	75	3873	2111	419	639	402	1460	7444
Ap 1943	520	668	151	86	561	207	884	274	715	248	273	180	317	149	56	29	50	65	79	38	130	229	75	3873	2111	419	639	402	1460	7444
Ja 1943	520	648	151	99	561	189	884	247	715	222	273	180	317	149	56	20	50	63	79	38	130	238	75	3867	2022	422	631	393	1446	7335
O 1943	528	648	151	99	662	189	1005	247	715	222	273	180	317	149	56	20	50	63	79	38	130	238	75	4112	2022	422	656	398	1476	7610
Ja 1944	528	648	175	99	662	189	1003	247	683	222	273	180	317	149	56	20	50	63	79	38	130	238	75	4082	2022	422	653	398	1473	7577
Ap 1944	528	648	175	99	700	189	1109	247	683	222	273	180	317	149	56	20	50	63	79	38	130	238	75	4226	2022	422	667	400	1486	7737
Ja 1944	528	648	175	99	700	189	1109	247	679	222	273	180	317	149	56	20	50	63	79	38	130	238	75	4242	2022	422	669	401	1492	77

INCREASES IN BUILDING COSTS SINCE 1939

(SAINT LOUIS)



30-UNIT REINFORCED CONCRETE APARTMENT

Content: 303,534 cubic feet

Cost 1939: \$135,000

(44.5¢ per cubic foot; \$ 6.33 per square foot)

Cost today: \$253,823

(83.5¢ per cubic foot; \$11.85 per square foot)

INCREASE OVER 1939 = 88%

18-FAMILY BRICK APARTMENT (FRAME INTERIOR)

Content: 168,385 cubic feet

Cost 1939: \$ 60,300

(35.8¢ per cubic foot; \$4.55 per square foot)

Cost today: \$117,750

(70.0¢ per cubic foot; \$8.89 per square foot)

INCREASE OVER 1939 = 95%

SIX-ROOM BRICK HOUSE WITH FRAME INTERIOR

Content: 23,100 cubic feet

Cost 1939: \$ 6,400

(27.7¢ per cubic foot; \$4.20 per square foot)

Cost today: \$12,464

(54.0¢ per cubic foot; \$8.20 per square foot)

INCREASE OVER 1939 = 95%



SIX-ROOM FRAME HOUSE

Content: 25,376 cubic feet

Cost 1939: \$ 5,894

(23.2¢ per cubic foot; \$3.57 per square foot)

Cost today: \$12,761

(50.3¢ per cubic foot; \$7.73 per square foot)

INCREASE OVER 1939 = 116.5%

FIVE-ROOM BRICK VENEER HOUSE

Content: 23,913 cubic feet

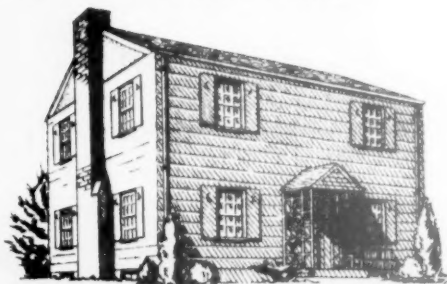
Cost 1939: \$ 5,440

(22.7¢ per cubic foot; \$4.67 per square foot)

Cost today: \$11,258

(47.0¢ per cubic foot; \$9.67 per square foot)

INCREASE OVER 1939 = 107%



space occupied by tenants and a corresponding slackening of the demand for new housing. Any prediction as to how far this will be true would certainly be premature, but it is our belief that some demand for space will be lost as a result of the rent increases.

BUSINESS ACTIVITY

Business has been too good for too long. This seemingly absurd belief is supplemented by our thought that a recession during the later half of 1947 would have had a much desired sobering effect on all parts of the nation's economy. Wages would have leveled off, prices would have lowered, and the pace of business would have become less frenzied. We would have had our binge and the after effects would have been at worst a bad taste and a headache. Now the binge seems destined to become a spree. We don't know how long it will last, but we do know that the greater the rise the greater the eventual readjustment.

CONSTRUCTION COSTS

For the third month in a row the cost of building the standard six-room frame house dropped. The cost for the month of July is \$12,761. This represents a drop of \$68 from the June figure of \$12,829, and a drop of \$409, or 3.1%, from the April high of \$13,170. Nearly the entire decrease is accounted for by the fall in lumber prices. The lumber market in St. Louis is extremely spotty. Prices on 2 x 4's range from \$75 to \$110 per M and redwood siding varies from \$140 to \$225 per M. We have reason to believe that this condition is more or less true throughout the country. We also believe that the spots will wash out and that lower lumber prices will be the result. With this will come further reductions in construction costs.

It is rather difficult to predict how far a general readjustment of lumber prices will go. It is a safe bet that the readjustment will not be nearly so drastic as the one in 1920 and 1921. For one thing, the industry is more strongly unionized and wage rates will prove to be more rigid. Freight rates can hardly be expected to be reduced any time soon. Stumpage costs are also more or less stabilized at a point where no great relief can be anticipated. A safe guess right now seems to be for lumber prices to step down rather hesitatingly, one small slow step at a time for the next few months.

On page 292 we show our estimated St. Louis construction costs for five types of residential buildings. Last month was the first time we had published this information in this form, and we went to press with incomplete indexes on the six-room brick house. The indexes are now complete and the final June figure is \$12,561, instead of \$13,100. Therefore, the six-room brick house increased 96-1/2 per cent in cost from 1939 to June 1947 and 95 per cent from 1939 to July 1947. Inasmuch as we think that residential construction costs have passed their peak, we will soon begin to show two comparisons on these buildings: 1. the percentage increase from 1939 to the peak in April 1947; and 2. the percentage decrease from April 1947 to the present.

Ordinarily we do not compare construction costs on a square foot basis, but as several of our clients have indicated a preference for this method, we have added the square foot costs of the buildings.

The 18-family apartment added in this issue is a brick building with frame interior. Units have living room, bedroom, dining alcove, kitchen and bath. In-a-door beds, stoves, refrigerators and incinerators are provided. Materials and workmanship are average.

STOCK MARKET

Since last fall's toboggan has not yet been reflected in a slackening of general business, there seems to be a general opinion among investors that the bear market has gone into hibernation. Aside from the fact that hibernation is out of season, we feel that today's market is still too speculative and we continue to recommend a policy of nonparticipation, realizing that some profits may be foregone by following this advice.